

MAPLE RIDGE TOWNSHIP ROCK WATER SYSTEM

REPORT ON FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

YEAR ENDED MARCH 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name MAPLE RIDGE TOWNSHIP ROCK WATER SYSTEM	County DELTA
Audit Date MARCH 31, 2005	Opinion Date JUNE 30, 2005	Date Accountant Report Submitted to State: JUNE 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

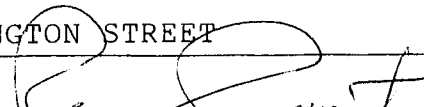
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 1217 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

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June 30, 2005

INDEPENDENT AUDITOR'S REPORT

Honorable Township Board
Maple Ridge Township Rock Water System
Delta County, Michigan

I have audited the balance sheets of the Water Supply System of Maple Ridge Township as of March 31, 2005, and the related statements of revenues and expenditures, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Township management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, except for the omission of governmental-wide financial statements the accompanying financial statements present fairly the financial position of the Rock Water System of Maple Ridge Township as of March 31, 2005, and the results of their operations for the year then ended in accordance with generally accepted accounting principles applicable to governmental entities.

Management has not presented government-wide statements to display the financial position and changes in financial position of its governmental activities, business-type activities, discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The statements of the Water System's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

The financial statements referred to in the foregoing opinion are identified in the contents of this report. My examination was made primarily for the purpose of rendering an opinion on

June 30, 2005

these basic financial statements taken as a whole. The supplementary financial data identified in the contents, although not considered necessary for a fair presentation of the financial position and results of operations, are presented primarily for supplemental analysis purposes. This additional information has been subjected to the audit procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ray L. Payment
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June 30, 2005

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
"GOVERNMENT AUDITING STANDARDS"

Maple Ridge Township Rock Water System Board
Maple Ridge Township
Delta County, MI

I have audited the general purpose financial statements of the Maple Ridge Township Rock Water System as of and for the year ended March 31, 2005, and have issued my report thereon dated June 30, 2005. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Maple Ridge Township Rock Water System's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.


Internal Control Over Financial Reporting

In planning and performing my audit I considered Maple Ridge Township Rock Water System's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control

June 30, 2005

components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ray L. Payment
Certified Public Accountant

MAPLE RIDGE TOWNSHIP ROCK WATER SYSTEM
BALANCE SHEET
MARCH 31, 2005

ASSETS

PROPERTY, PLANT AND EQUIPMENT (Note 2):	
Property, plant and equipment	\$ 2 024 296
Less accumulated depreciation	<u>(280 133)</u>
Net property and equipment	1 744 163
RESTRICTED ASSETS:	
Depreciation and Contingent Funds:	
Cash on deposit	46 000
CURRENT ASSETS:	
Cash on deposit	6 283
Accounts Receivable	<u>1 293</u>
TOTAL ASSETS	<u>\$ 1 797 739</u>

LIABILITIES, CONTRIBUTIONS AND RETAINED EARNINGS

RETAINED EARNINGS	\$ 48 393
CONTRIBUTIONS IN AIDE OF CONSTRUCTION	<u>1 749 346</u>
TOTAL LIABILITIES, CONTRIBUTIONS, AND RETAINED EARNINGS	<u>\$ 1 797 739</u>

See accompanying notes to financial statements.

MAPLE RIDGE TOWNSHIP ROCK WATER SYSTEM
STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED MARCH 31, 2005

OPERATING REVENUES:

Water sales	\$ 23 146
Hydrant rentals	<u>600</u>

Total operating revenues	<u>23 746</u>
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OPERATING EXPENDITURES:

Depreciation (Note 2)	20 160
Utilities and telephone	4 272
Salaries and wages	10 500
Operating supplies	379
Repairs and contract labor	3 475
Insurance	3 212
Employee benefits and payroll taxes	1 235
Office supplies	466
Testing Fees	1 091
Dues and subscriptions	375
Snow removal	400
Travel and training	<u>81</u>

Total operating expenses	<u>45 646</u>
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Operating income (loss)	(21 900)
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NONOPERATING INCOME (EXPENSE):

Interest income	473
Depreciation on contributed capital	<u>20 160</u>

NET INCOME (LOSS)	<u>\$ (1 267)</u>
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See accompanying notes to financial statements.

MAPLE RIDGE TOWNSHIP ROCK WATER SYSTEM
STATEMENT OF RETAINED EARNINGS
YEAR ENDED MARCH 31, 2005

RETAINED EARNINGS, at beginning of period	\$ 49 660
ADD - Net income (loss) for the period	<u>(1 267)</u>
RETAINED EARNINGS, at end of period	<u>\$ 48 393</u>

See accompanying notes to financial statements.

MAPLE RIDGE TOWNSHIP ROCK WATER SYSTEM
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	\$ (1 267)
(INCREASE) DECREASE IN CURRENT ASSETS:	
Accounts receivable	<u>310</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(957)</u>
NET INCREASE (DECREASE) IN CASH	\$ (957)
CASH, BEGINNING OF PERIOD	<u>53 240</u>
CASH, END OF PERIOD	<u>\$ 52 283</u>
CASH CONSISTS OF:	
Operating Fund	\$ 6 283
Depreciation and Contingent Accounts	<u>46 000</u>
TOTAL CASH	<u>\$ 52 283</u>

See accompanying notes to financial statements.

MAPLE RIDGE TOWNSHIP ROCK WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - METHOD OF ACCOUNTING

The Township Water Fund is maintained on a modified accrual basis.

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT

Fixed assets consisting of water mains and equipment are carried at cost. Depreciation is calculated over the estimated useful life of the fixed assets using the straight-line method. The Township has elected to decrease contributions in aid of construction by the corresponding depreciation on assets purchased by contributed capital.

NOTE 3 - BUDGET

The Water System prepares its budget using the accrual basis of accounting.

NOTE 4 - DESCRIPTION OF REPORTING ENTITY

This report includes all of the funds and account groups of the Water System. It includes all activities considered by the U.S. Bureau of Census to be part of the Water System. The General and other Funds of Maple Ridge Township have been submitted under separate cover.

The Area School District is an independent district and not part of the Township. Financial data for it are not included in the financial statements of this report. However, audited financial statements for the School District are available upon request from its business office.

The Water System provides water services contemplated by statute or character.

MAPLE RIDGE TOWNSHIP ROCK WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Township are in two banks in the name of the Maple Ridge Township Treasurer. Michigan Compiled laws, Section 124.91, authorizes the Township Treasurer to deposit and invest in the accounts of Federally Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Governmental National Mortgage Association; United States government or Federal agency obligation repurchase agreement; banker's acceptance of the United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement 3 risk disclosure for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 52 283
TOTAL DEPOSITS	\$ 52 283

MAPLE RIDGE TOWNSHIP ROCK WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 6 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 7 - CASH FLOW INFORMATION

For purposes of the statement of cash flows, the Proprietary Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 8 - RISK MANAGEMENT

The Water System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Water System purchases insurance coverage through a carrier. This plan purchases reinsurance for all risks. The Water System's expense is to pay only the annual premium. In addition, the Water System purchases worker's compensation insurance through the Accident Fund of Michigan.